



**DATE:** November 10, 2021  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 21-30  
Authorizing an Amendment to the Option Agreement with Trammell Crow Portland Development, Inc Regarding Cascade Station Parcels D and E in the Airport Way Tax Increment Finance District

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7435

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute an amendment (Amendment) to the Option Agreement with Trammell Crow Portland Development, Inc. (Trammell Crow) for the sale of Prosper Portland's 13.7-acre leasehold interest in Parcels D and E (Property) at Cascade Station in the Airport Way tax increment finance (TIF) district (see a Property Aerial in Attachment A and Property Plans in Attachments B and C). The Property is currently leased from the Port of Portland (Port) to Prosper Portland and the Port must consent to this Amendment. When executed, the Amendment will extend the term of the Option by three years, increase the total amount of the Option by \$106,000, and modify the monthly payments.

Trammell Crow anticipates constructing one building on each parcel with approximately 415,000 square feet of total new office space and has hired CBRE to secure a build-to-suit tenant.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

Executing the Amendment with Trammell Crow will help deliver on Prosper Portland's Strategic Plan objective to "target expansion and recruitment of private and institutional employers with quality jobs in...the Columbia Corridor." Furthermore, revenue from the Amendment will allow Prosper Portland to invest in other economic development activities in the Airport Way TIF district.

#### **BACKGROUND AND CONTEXT**

In 1999, Prosper Portland partnered with TriMet, the City of Portland (City), the Port, and Bechtel Corporation (Bechtel) to extend light rail service to the Portland International Airport and to facilitate the development of a major retail, hotel, and office development on approximately 120 acres of Port-owned property at what is now known as Cascade Station. Prosper Portland provided \$14,000,000 in tax increment funding in support of the light rail extension and \$14,000,000 to help fund the public infrastructure at Cascade Station (streets, sidewalks, drainage improvements, lighting, etc.). As a condition of the infrastructure funding, Bechtel pledged repayment to the agency once the cash flow reached a certain defined level after other investors were paid off.

TriMet's Red Line light rail service to Portland International Airport began in September 2001. However, because of the economic slowdown from 1999 to 2002 (which adversely affected retail and other commercial development) as well as zoning limitations which prohibited any retail user of more than 60,000 square feet, Cascade Station redevelopment stalled, and no development took place for the next six years. In 2005, Bechtel approached Prosper Portland, the Port, and the City with a plan to restructure the development requirements and financing. Thereafter, a comprehensive agreement was reached which included i) a change in zoning requirements, and ii) a restructure of \$14,000,000 in debt owed to Prosper Portland. In satisfaction of the loan, the leasehold rights to 36 acres of the 120-acre site (appraised at \$14,000,000) were transferred to the agency. The land today is zoned for office and/or hotel uses only; retail was and remains a prohibited use.

The Property is a part of the Cascade Station Master Plan, comprising 120 acres located just east of Portland International Airport. As described, Prosper Portland acquired a leasehold interest in the Property in 2006 as part of the larger 36-acre transaction, and the properties were partitioned into separate parcels, including the Property. Dispositions of other parcels and subsequent developments within Cascade Station include the Federal Bureau of Investigation Building, Holiday Inn, and Cook Security Headquarters. Due to the restrictions in place by the Cascade Station Master Plan, the only authorized development use on the remaining parcels is for office use. Trammell Crow will be pursuing development opportunities that meet this criterion.

On January 15, 2020, the Prosper Portland Board approved Resolution No. 7352, authorizing an Option Agreement for Purchase of the Land Lease of the Property to Trammell Crow which has since made payments as per the Option Agreement.

Due to changes in real estate market conditions since the onset of the COVID-19 pandemic, in September 2021, Trammell Crow requested an Amendment to the Option Agreement to extend it by three years to fiscal year (FY) 2025-26, modifying the Option Agreement payment schedule, and increasing the total payments by \$106,000.

### **EQUITY IMPACT**

Prosper Portland's Construction Business and Workforce Equity Policy will apply to this transaction. Furthermore, development of new office space on the currently vacant land will create additional jobs in the area.

### **COMMUNITY PARTICIPATION AND FEEDBACK**

There was no public participation specific to this proposed transaction. However, the Columbia Corridor Association has historically been supportive of Prosper Portland's efforts in Airport Way, including efforts to stimulate development at Cascade Station.

### **BUDGET AND FINANCIAL INFORMATION**

The Airport Way FY 2021-22 Adopted Budget and forecast will be adjusted to reflect changes in the planned amount and timing of the option payments. While the near-term budget and forecast will be reduced in revenue, the changes will not impact the budget for any planned expenditures in the district. The Airport Way TIF district adopted budget and forecast is included as Attachment D.

### **RISK ASSESSMENT**

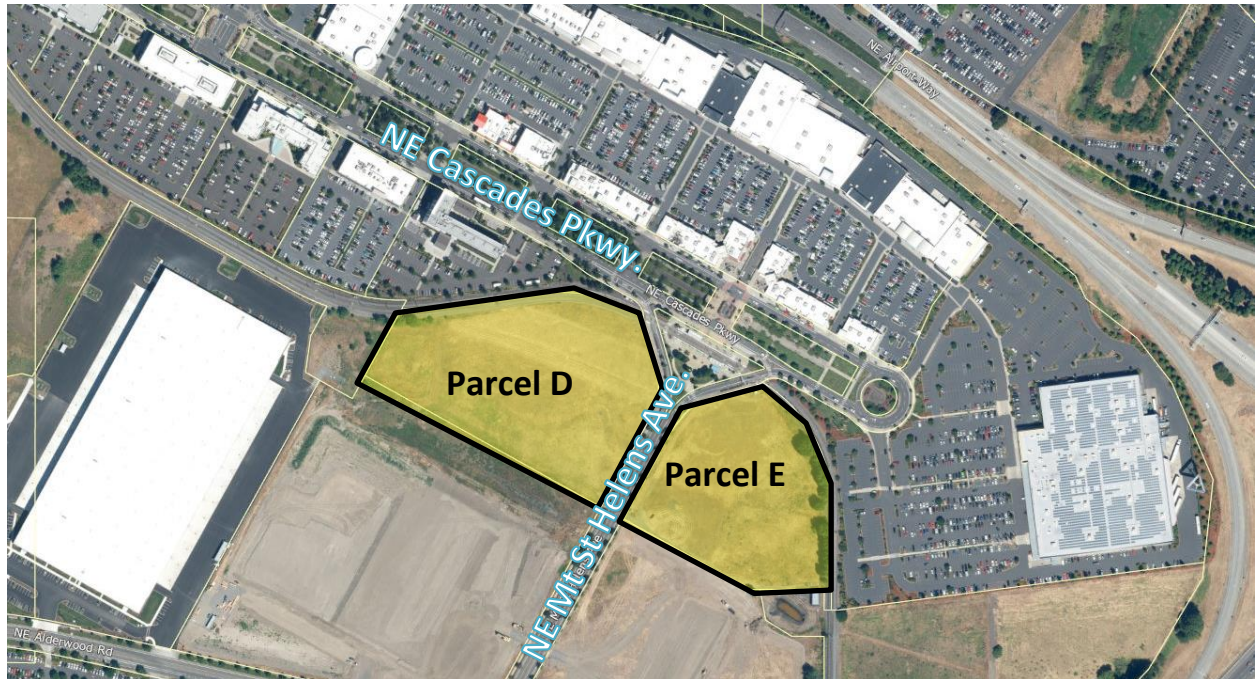
Authorizing the Amendment to the Option Agreement creates several risks to Prosper Portland. The primary risk for Prosper Portland is that Trammell Crow will not exercise the Option Agreement within

the remaining term, the Property will not be developed, and it will be kept off the market during the term. Another risk is that Trammell Crow may choose to exercise the Option Agreement on only one of the two parcels, which is within their rights. Both risks are mitigated by the payments being non-refundable. There is a risk that the total amount paid to Prosper Portland over time as a result of the Amendment could be less than the initial terms, depending upon when Trammel Crow elects to exercise the Option Agreement. Finally, there is a risk that Trammell Crow will not succeed in developing the Property as planned.

**ATTACHMENTS**

- A. Property Aerial
- B. Property Plan – Parcel D
- C. Property Plan – Parcel E
- D. Airport Way TIF District FY 2021-22 Adopted Budget

**Property Aerial**



## Cascade Station Parcel D - Property Plan

Thursday, September 12, 2019 5:00 PM

Property Strategic Considerations	
Goals & Objectives	
Acquisition Date & Purpose	July 13, 2006 / Master Leased from Port of Portland <ul style="list-style-type: none"> <li>Acquired to extend the light rail, establish infrastructure, and development of 120 acres of land at Cascade Station. Of the 120 acres, 36 acres were transferred to Prosper Portland (Resolution 6263-June 22, 2005)</li> </ul>
Property Plan Objective	Development Site / Active
2015-2020 Strategic Plan Goal(s)	Objective 2: Access to High Quality Employment for Portland Residents
Financial Sustainability Plan Objective	Mission Related Investment - 6%
Equity Objectives(s)	Interim: Increase equitable contracting of certified firms  Development: Compliance with Business & Workforce Equity Policy requirements for any new development. Prioritize community engagement and accountability; ensure communities of color are considered in ways to partner and benefit. (Social Equity Policy 4.4). Ensure access to affordable industrial space and parking for workers in the district. (Social Equity Policy 4.1 and 4.2)
Property Information	
Property Characteristics	
Property Code <sup>1</sup>	385-A00547
Property Name(s)	Cascade Station Parcel D
Project Name(s)	Cascade Station Parcel D
Property Description	Vacant land at Cascade Station
Address	6698 NE MT St Helens
RNumber(s)	<a href="#">R593631</a>
Tax Lot Description(s)	Parkrose & RPLT, Block 111&117&118 TL 2700
Lot Size	5.91 Acres (257,439 sq ft)
Building SF	0 sq ft
Neighborhood	
URA	Airport Way
Neighborhood	Portland PDX Airport Area
NMTC Census Tract	Census Tract 73
Opportunity Zone	Yes-Severe Distress
Zoning	EG2-General Employment 2; c-Environmental Conservation; h-Aircraft Landing Zone; x-PDX Noise Impact one
Base FAR & Height	N/A
Financial Baseline	
Book Value (2017)	\$2,316,000
Real Market Value (2017)	\$5,203,870
Appraised Value	September 21, 2010; \$2,310,000, PGP Valuation
Financial Sustainability Plan Cash Flow	\$249,472 FY 19/20 \$1,998,249 Ten-year outlook including FY 19/20
Due Diligence	
Alta/As-Built	N/A
Title Report	January 2020
Title Easements	N/A
Site Constraints	Max Red Line borders the property to the North
Environmental Documents/Notes	ESA Phase I: August 2004; Lots leased from Port (GASB 49 17/18); Draft NEPA report
Additional Information	
Historical Background	
Interim Activity Strategy	Manage & maintain the property in a way that minimizes risks and holding costs while maintaining the property in a clean and

The purpose is to attract job-generating investment

Need to check correct Cash Flow

Option in place until 2023

Additional Information	
Historical Background	
Interim Activity Strategy	Manage & maintain the property in a way that minimizes risks and holding costs, while maintaining it in a clean and respectable manner. Work in coordination and consultation with project management staff responsible for implementation of related development plans. Interim uses would include short-term/one-time permits only, that are consistent with the Cascade Station Plan.
Development Goals & Objectives	
Re-Development/Re-Use	
Active/Inactive	Active
Phase of Development (acquisition, community process, predev, disposition, construction)	Disposition - Trammell Crow has an Option to acquire the lease until 2023
Development Concept(s)	Office building
Action Plan / Framework(s)	Cascade Station/Portland International Center Plan District-established land use and development entitlements and restrictions for the development of Cascade Station (1999)
URA / Community Goals	Create a significant number of jobs, or provide an economic development advantage to the area
Major Consultant Contracts	IGA 2017-141 with Port of Portland for an updated Cascade Station District Environmental Assessment pursuant to FAA requirement
Major Milestone(s) & Deadline(s)	Option Agreement signed Jan 2020 and Assignment of Lease to Trammell Crow by 2023; ground lease payments start 7 months after execution.
Project Budget	<a href="#">See Fund 385 Budget</a>
Project Manager	Joana Filgueiras
Project Team Member(s) & Responsibility	Ember Breckenridge (Property Management)
Project Sponsor	Amy Edwards
Developer	Trammel Crow
Major External Stakeholder(s)	Port of Portland, Columbia Corridor Association
Major Bureau Partner(s)	N/A
Agency Approvals & Recommendations	
FIC Approval(s)	February 9, 2017; May 31, 2018
Board/Council Approval(s) & Recommendation(s)	Jan 2020 - Authorized a 3 year Option to Assign the Land lease to Trammell Crow; June 27, 2018, authorizing an option to sublease 13.7 acres of leased property
Agreements	
LOI/MOU/DDA/PSA	Option signed
Additional Notes	
Project File Document Location	S:\Projects\Other\AW\Projects\Parcel D & E

Option in place until 2023

## Equity Plan

Initiative Title: Parcel D at Cascade station

Initiative Summary: Vacant Parcel leased from the Port of Portland since 2006.

Date Completed: 2/14/2020

1. Who are the Historically Disadvantage Portlanders (as defined in Prosper Portland's Equity Policy) affected by this initiative?

No disadvantage communities affected since this is not, nor has it been in the past, a residential area.

2. What are the actual or perceived impacts to these impacts to these groups, both positive and negative?

Group Affected	Positive Impact(s)	Negative Impact(s)
All Portlanders	Potential for job creation	Additional traffic in the airport area

3. How will you maximize opportunities and inclusivity for Historically Disadvantaged Portlanders to participate in or benefit from this Initiative?

The developer is required to comply with Prosper Portland's Business and Workforce, and green building policies.

4. How you intentionally involved stakeholders who are also members of the communities affected by this Initiative? If so, how?

There is not an identified community in the area. The Cascade station area has its own planning requirements set in place since 1999.

5. Are there any objective measures or metrics that can be applied to determine if a successful outcome is or can be achieved? If so, complete the following table. If not, explain why a successful outcome cannot be measured?

Metric	Measurement
Business and Workforce Equity Policy	Requires developer to hire at least 20% minority to women owned subcontractors - reaching or surpassing this requirement will be consider a success.

6. Describe any other indications of achieving or not achieving a successful outcome:

The development attracts a company that creates additional jobs in the area.

7. Given the nature of the Initiative (e.g., project milestones, work plan development, etc.), if applicable, provide a timeline on reviewing the Plan to determine if changes to the Plan are appropriate.

2024 once construction is happening

8. Given the nature of the Initiative, when is an appropriate time (e.g., two weeks, three months, one year) to evaluate the success or lack of success of the Plan and evaluate lessons learned?

3 years - once the option is due.

# Cascade Station Parcel E - Property Plan

Thursday, September 12, 2019 5:00 PM

Property Strategic Considerations	
Goals & Objectives	
Acquisition Date & Purpose	<p>July 13, 2006 / Master Leased from Port of Portland</p> <ul style="list-style-type: none"> <li>Acquired to extend the light rail, establish infrastructure, and development of 120 acres of land at Cascade Station. Of the 120 acres, 36 acres were transferred to Prosper Portland (Resolution 6263-June 22, 2005)</li> </ul>
Property Plan Objective	Development Site / Active
2015-2020 Strategic Plan Goal(s)	Objective 2: Access to High Quality Employment for Portland Residents
Financial Sustainability Plan Objective	Mission Related Investment - 6%
Equity Objective(s)	<p>Interim: Increase equitable contracting of certified firms</p> <p>Development: Compliance with Business &amp; Workforce Equity Policy requirements for any new development. Prioritize community engagement and accountability; ensure communities of color are considered in ways to partner and benefit. (Social Equity Policy 4.4). Ensure access to affordable industrial space and parking for workers in the district. (Social Equity Policy 4.1 and 4.2)</p>
Property Information	
Property Characteristics	
Property Code <sup>1</sup>	385-A00545
Property Name(s)	Cascade Station Parcel E
Project Name(s)	Cascade Station Parcel E
Property Description	Vacant land at Cascade Station
Address	SWC NE Cascade Station Parkway/NE Mt St Helens Avenue
RNumber(s)	<a href="#">R593642</a>
Tax Lot Description(s)	Parkrose & RPLT, Block 118119 TL 2600
Lot Size	7.80 Acres (339,768 sq ft)
Building SF	0 sq ft
Neighborhood	
URA	Airport Way
Neighborhood	Portland PDX Airport Area
NMTC Census Tract	Census Tract 73
Opportunity Zone	Yes-Severe Distress
Zoning	EG2-General Employment 2; c-Environmental Conservation; h-Aircraft Landing Zone; x-PDX Noise Impact one
Base FAR & Height	N/A



<b>Financial Baseline</b>	
Book Value (2017)	\$3,057,000
Real Market Value (2017)	\$6,626,950
Appraised Value	September 21, 2010; \$3,050,000, PGP Valuation
Financial Sustainability Plan Cash Flow	\$317,077 FY 19/20 \$2,673,048 Ten-year outlook including FY 19/20
<b>Due Diligence</b>	
Alta/As-Built	N/A
Title Report	N/A
Title Easements	N/A
Site Constraints	Max Red Line borders the property to the East
Environmental Documents/Notes	ESA Phase I: August 2004; Lots leased from Port (GASB 49 17/18); Draft NEPA report
<b>Additional Information</b>	
Historical Background	
Interim Activity Strategy	Manage & maintain the property in a way that minimizes risks and holding costs, while maintaining it in a clean and respectable manner. Work in coordination and consultation with project management staff responsible for implementation of related development plans. Interim uses would include short-term/one-time permits only, that are consistent with the Cascade Station Plan.
<b>Development Goals &amp; Objectives</b>	
<b>Re-Development/Re-Use</b>	
Active/Inactive	Active
Phase of Development (acquisition, community process, predev, disposition, construction)	Disposition
Development Concept(s)	Job focused redevelopment
Action Plan / Framework(s)	Cascade Station/Portland International Center Plan District-established land use and development entitlements and restrictions for the development of Cascade Station (1999)
URA / Community Goals	Create a significant number of jobs, or provide an economic development advantage to the area
Major Consultant Contracts	IGA 2017-141 with Port of Portland for an updated Cascade Station District Environmental Assessment pursuant to FAA requirement
Major Milestone(s) & Deadline(s)	Negotiation of a binding Option Agreement and Assignment of Lease to Trammel Crow by end of July 2019; ground lease payments start 7 months after execution; official transfer of property after FAA approval by December 2020
Project Budget	<a href="#">See Fund 385 Budget</a>
Project Manager	Joana Filgueiras
Project Team Member(s) & Responsibility	Ember Breckenridge (Property Management)

Project Sponsor	Amy Edwards
Developer	Trammel Crow
Major External Stakeholder(s)	Port of Portland, Columbia Corridor Association
Major Bureau Partner(s)	N/A
Agency Approvals & Recommendations	
FIC Approval(s)	February 9, 2017; May 31, 2018
Board/Council Approval(s) & Recommendation(s)	June 27, 2018, authorizing an option to sublease 13.7 acres of leased property
Agreements	
LOI/MOU/DDA/PSA	LOI
Additional Notes	
Project File Document Location	S:\Projects\Other\AW\Projects\Parcel D & E

### Airport Way FY 2021-22 Adopted Budget and Forecast

#### Financial Summary Five-Year Forecast

<u>Airport Way TIF Fund</u>	<u>Revised 4 FY 2020-21</u>	<u>Adopted FY 2021-22</u>	<u>Forecast FY 2022-23</u>	<u>Forecast FY 2023-24</u>	<u>Forecast FY 2024-25</u>	<u>Forecast FY 2025-26</u>
<b>Resources</b>						
Beginning Fund Balance	5,701,346	5,459,950	2,142,403	1,938,361	1,788,164	1,808,836
<b>Revenue</b>						
Fees and Charges	762	-	-	-	-	-
Interest on Investments	72,253	37,097	31,857	26,705	25,117	-
Loan Collections	70,590	95,735	106,202	102,677	102,675	102,675
Rent and Property Income	24,000	96,000	120,000	82,200	265,000	265,000
Total Revenue	167,605	228,832	258,059	211,582	392,792	367,675
Total Resources	5,868,952	5,688,782	2,400,462	2,149,943	2,180,956	2,176,511
<b>Requirements</b>						
Administration						
A00032-Debt Management-APW	20,904	7,821	7,821	7,821	7,821	7,821
Administration Total	20,904	7,821	7,821	7,821	7,821	7,821
Economic Development						
Traded Sector						
A00383-Lean Manufacturing-APW	10,000	10,000	10,000	10,000	10,000	-
Business Lending						
A00211-BL -General-APW	200,000	-	-	-	-	-
Economic Development Total	210,000	10,000	10,000	10,000	10,000	-
Property Redevelopment						
Real Estate Management						
A00350-Cascade Stn-Prcl G-APW	22,367	42,564	43,064	44,689	45,189	46,814
A00545-Cascade Station Prcl E-APW	25,143	41,250	41,632	-	-	-
A00547-Cascade Station Prcl D-APW	21,569	36,150	36,650	-	-	-
Real Estate Disposition						
A00350-Cascade Stn-Prcl G-APW	0	3,100,000	-	-	-	-
Property Redevelopment Total	69,079	3,219,964	121,346	44,689	45,189	46,814
Total Program Expenditures	299,983	3,237,785	139,167	62,510	63,010	54,635
Personnel Services	37,304	14,554	56,338	50,391	52,643	16,458
Total Fund Expenditures	337,287	3,252,339	195,505	112,901	115,653	71,093
Interfund Transfers - Indirect Charges	71,715	294,040	266,595	248,879	256,467	145,581
Contingency	5,459,950	2,142,403	1,938,361	1,788,164	1,808,836	1,959,836
Total Fund Requirements	5,868,952	5,688,782	2,400,462	2,149,943	2,180,956	2,176,511